

Chapter 2

PLANNING AND PREPARATION

2.1 CAREFUL PLANNING IS KEY

Procurement actions cannot be carried out successfully without sufficient planning and preparation by the agency. Planning lays the groundwork for an efficient and effective process. It provides information that enables staff to decide how best to accomplish the procurement, what specific actions need to be taken to obtain the service, and how to assure contract performance is accomplished to meet program requirements. Advance planning also provides the means for an agency to assure it is in full compliance with state statutes, regulations, policies and procedures. Good analysis, good thinking, and good planning are the best ways to ensure selection of a qualified service provider.

2.2 DECIDING WHETHER TO CONTRACT

In the initial stage of planning, the agency should develop a clear perception and description of the need.

Defining the need contributes to effective prioritization of the funding required, a common understanding within the agency of the need, and the identification of the nature of the work and the level of service required to meet the need. Defining the need also contributes to the determination of how performance and quality will be measured. The ability to specify and convey what is needed forms the basis for obtaining a fair and reasonable price while selecting the best-qualified service provider.

Three questions must be answered:

1. 1. Is there a real need for the service?
2. 2. If there is a real need or problem, what is the most feasible method to resolve it? and

3. 3. What resources will it take to meet the need? Resources may include personnel, equipment, computer hardware and software, work space, knowledge and skills, time, money, etc.

Consideration of these questions will help you decide whether to contract out for services or to use in-house resources. Other factors to consider include, but are not limited to the following:

- • Specialized Skills, Knowledge and Resources – An agency might engage a professional service provider to focus greater specialized knowledge and technical skill on a problem than can be provided by internal staff. A qualified service provider will possess the body of knowledge, skills and techniques in a given area of specialization.
- • Broad Experience – While each agency's situation is in some respects unique, few problems are completely without precedent to professional service providers. An experienced service provider has learned to anticipate problems and draw from techniques developed in similar situations for solving the problems. Often a service provider can offer an agency previously tested solutions to chronic operational or technical problems.
- • Objectivity – One of the most valuable attributes of an outside service provider is objectivity. The service provider may offer an independent and impartial perspective that brings fresh and constructive insights into a situation.
- • Credibility – In some instances state agencies must present findings and recommendations to policy makers, such as the Governor, Legislature, commissions, etc. An independent qualified source can often bring credibility to an evaluation of the problem. Policy makers often value recommendations offered by reputable service providers with extensive expertise and stature in their fields.

- • Timeliness – A service provider can devote a concentrated effort to an identified problem without the distractions of daily operating responsibilities. This is particularly important when a deadline for a project has been established and staff schedules and other work assignments conflict with the project completion date. If you do not have sufficient staff to do the work, you should consider whether or not you have adequate staff to monitor the work if it is contracted.
- • Innovation – A service provider can fill an important role in advocating change. Occasionally, solutions fail internally because vested interests, internal loyalties, tradition or pre-conceptions promote resistance to change. An effective service provider can offer innovative suggestions and inform decision makers of the benefits of creative approaches to long-standing problems.
- • Time-Limited Project – Some projects are one-time, short-term projects. In some cases, it may be a more effective use of resources to have a service provider carry out such a project.
- • Fluctuating Demand – The work may need to be done over a period of time, and the demand on staff time will fluctuate over that period of time.
- • Quickly Changing Expertise – The work will call for quickly changing expertise and ability to keep up with state-of-the art practices. In these cases service providers may be better situated to maintain the needed expertise.
- • Cost – Sometimes agencies contract out because they have engaged in a cost-benefit analysis and determined that it is less costly to contract out.
- • Federal or state mandate – In some instances there is a federal or state mandate that requires contracting out for the service.

Another tool that agencies can use to help decide whether to contract out for the services or use in-house resources is the Decision Tree developed by the Iowa Department of Personnel. See Appendix C for a copy of the Staffing Decision Guide and Appendix T for the Decision Guide Manual.

If agency management determines that a project is warranted, the statement describing the need will provide direction to potential service providers. The description of need will also be useful in establishing a basis for evaluating the service providers' proposals.

2.3 AVAILABLE FUNDING

One of the most important considerations to be addressed during the planning process is the availability of sufficient funding to cover the project expenditures. Adequate funding based on in-house cost projections must be verified by the contract manager. If funding is inadequate or non-existent, the project cannot proceed.

In addition to the identified costs associated with contracting for services, contract managers should also consider overhead expenses, such as costs for staff involvement with contract development, contract management, monitoring and internal fiscal processes, training, legal review of the contract, and dispute resolution.

2.4 PERFORMANCE MEASURES AND OUTCOMES

The performance measures and criteria provisions of the Accountable Government Act are another consideration in planning and preparation of service contracts.

Under the Accountable Government Act as it relates to service contracts, Iowa Code section 8.47, and **11 IAC chapter 107**, departments or establishments entering into service contracts must include performance criteria in those contracts unless they get special permission to use different terms and conditions. The purpose of performance criteria is to provide a standard or measure for performance of the contracted services. Performance criteria are also used to determine if, and when, the contractor has

successfully completed performance, and when and how much the contractor should be paid.

Contract performance criteria may:

- • Define the standards for measuring contractor performance.
- • Provide a means to monitor performance.
- • Measure satisfaction with the contractor.
- • Provide data for program evaluation.

When developing performance criteria, agencies should give consideration in advance to how the data is to be submitted, analyzed, and maintained. Key questions to consider include:

- ✓ ✓ How much information can reasonably be requested, submitted, and analyzed?
- ✓ ✓ How often and on what schedule must the data be reported?
- ✓ ✓ How will the information be submitted?
- ✓ ✓ Who will receive the information?
- ✓ ✓ How will feedback be provided to the contractor?
- ✓ ✓ What is the cost and benefit of each proposed performance measure?

Characteristics of good performance criteria:

- • Are easily understood by contractors, state agencies, and the general public.
- • Focus on the performance expected from the contractor.
- • Are well defined and consider both the quantitative (how much?) and qualitative (how well?) aspects of performance.
- • Include a well-defined method for reporting data.
- • Are relevant, timely, and verifiable.
- • Are realistic in terms of available resources, funding and timelines, and recognize external factors beyond the control of the system.

